**Reviewed by** the Board of Directors of UMP JSC Minutes No. 10 dated 29.07.2020

 **Approved by** theResolution of the Executive Board of UMP JSC Minutes No. 18/1216 dated 24.04.2020

 **REPORT ON THE IMPLEMENTATION**

**OF THE “SUSTAINABLE DEVELOPMENT PROGRAM**

**OF UMP JSC IN THE FIELD**

**OF CORPORATE SOCIAL RESPONSIBILITY FOR 2017-2019”**

**FOR 2019**

**Ust-Kamenogorsk, 2020**

The activities of Ulba Metallurgical Plant JSC (hereinafter – the Company / UMP JSC) in the field of corporate social responsibility and sustainable development in 2019 are regulated by the Sustainable Development Program of UMP JSC in the field of Corporate Social Responsibility for 2017-2019 approved by Resolution No. 17 dated December 29, 2017 of the Company’s Board of Directors, which principal purpose is to strengthen the position of the Company as a socially responsible company in the medium-term perspective and to meet the objectives of the social and economic development of the Company as well as to ensure an efficient implementation of the Company’s Development Strategy for 2018-2028.

**1. Social actions**

**1.1 Social stability index (rating) and assurance of social stability in the team**

As part of forecasting and preventing social and labor disputes and conflicts as well as monitoring the level of public sentiments in the team of the Company, since 2013 a survey has been carried out on a yearly basis to determine the Social Stability Index (Rating) (hereinafter – SSI) with the involvement of the independent sociological agency.

Based on the SSI survey findings for 2018 and recommendations of the Social Interaction and Communication Center experts and also in order to improve the relationship and prevent social strain in the team in 2019 the Company developed an Action Plan to ensure social and labor conditions of the operating personnel (hereinafter – the Plan) which covered the following areas:

* Informing the managers and operating personnel of structural divisions about the survey results on determination of the Company’s SSI in 2018;
* Rendering of assistance in carrying out of survey on determination of the Company’s SSI in 2019;
* Improving of safety culture and occupational safety, improving of working conditions at working places;
* Improving of the healthy meals quality;
* Material incentives of employees in accordance with their qualification and labor productivity;
* Development of the Collective Agreement for 2019-2022 and compliance with its conditions;
* Providing of an advanced training for operating personnel according to the planned training system;
* Compliance with the transparency principles when recruiting and promoting to a higher job position;
* Monitoring and analysis of staff turnover;
* Ensuring of the favorable moral and psychological climate in the team;
* Strengthening of the business and trusting relationships between management and personnel (feedback);
* Improving the awareness level of Company’s personnel about prospects of the Company’s development and implementation of Business Transformation Program;
* Ensuring of informational interaction between employees and management of the Company and raising the awareness of employees about feedback options with the employer;
* Improving the awareness level of the employees about the procedure for submitting of complaints and calls relating to actions/inaction of managers;
* Improving of medical preventive actions for employees;
* Improving the level of employees’ financial literacy;
* Ensuring an interaction with local executive bodies on social infrastructure issues;

All activities of the Plan were completed in full. An actual share of implementation of the Plan was equal to 100%.

According to the survey results in 2019, SSI of the Company was equal to 77%. In comparison with 2018, SSI showed an increase by 4% and continues to be at the “above average” level. Social background and mood of the production personnel indicates to their positive attitude and constructive approach in solving the emerging problems.

Report on the Plan implementation was submitted on a quarterly basis for approval by the Company’s Executive Board and the Company’s Board of Directors.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Indicator description, %** | **2017** | **2018** | **2019** |
| **1.** | **Social Stability Index (Rating)**  | **78** | **73** | **77** |
| 1.1 | Engagement | 78 | 58 | 64 |
| 1.2 | Social well-being | 76 | 60 | 65 |
| 1.3 | Social peace | 76 | 71 | 70 |

SSI has grown almost to the level of 2017. An increase of SSI was due to an increase in engagement by 6%, social well-being by 5%. At the same time, in comparison with 2018, there is a slight decrease in the social peace indicator.

Social peace indicator reflects the level of protest activity among workers, including the potential willingness of workers and social groups to take active actions, as well as hypothetical and situational readiness for certain protest manifestations. The Company cannot “tangibly” influence on social peace indicator. In comparison with 2018 this indicator shows a slight decrease of social peace by 1%, but continues to remain at a stable level. In 2019 there was no protest activity among the employees of the Company.

Achieved level of social stability in the team had a positive impact on the implementation of production program and on the implementation of tasks aimed at implementing in 2019 of the Company's Development Strategy for 2018-2028.

**1.2 Human Resource Development**

The Company recognizes its employees as the most important asset and is committed to assure their welfare, professional and personal growth which are keys to sustainable development of the Company.

In 2019 the Company carried out activities to develop human resources in the following areas:

**1.2.1 Transparent labor payment and salary competitiveness**

Actions to ensure transparent labor payment for the Company’s employees and salary competitiveness in 2019 were carried out via strengthening interrelation between the results of labor of the Company’s employees and payment amounts:

* By order of the Company No. 355 dated 18.03.2019, in accordance with the Resolution of the Company’s Executive Board No. 16/1151 dated 11.03.2019, remuneration was paid to the Company’s Employees based on the results of work in 2018 for the achievement of “Corporate Key Performance Indicators (KPI) for 2018” in the amount of 731.2 million KZT.
* By order of the Company No. 850 dated 28.06.2019 “On increasing the wages for PPK employees of UMP JSC” and amending order No. 265 dated 17.03.2016 “On increasing the wages in 2016” in accordance with Resolution of the Company’s Board of Directors No. 11 dated 28.06.2019, the base salary of all Employees of the Company’s industrial and production complex was increased by 10% since 01.06.2019.
* By Resolution of the Company’s Executive Board No. 62/1197 dated 25.12.2019, a bonus was paid to the Company’s Employees by saving the wage fund based on the results of work for 2019 in the amount of 179.9 million KZT.
* By Resolution of the Company’s Executive Board No. 58/1193 dated 29.11.2019, “Corporate key performance indicators (KPI) for remuneration in 2020 based on the results of work for 2019” were approved.

**1.2.2 Improving the selection and recruitment procedures of the Company’s staff**

Search for qualified staff in 2019 was carried out in accordance with FI 30.0005 "Staffing" through:

* Internal search among employees of the Company through a corporate website and a corporate paper; “Staff” database, and list of reserve of the Company’s executive staff;
* External search by posting ads on the official Company’s website and specialized sites including the authorized employment agency.

Since 01.09.2019, an automated “HR-Recruiting” system was put into operation to search and select candidates for the positions of employees for employment in the Company, NAC Kazatomprom JSC and other subsidiaries of NAC Kazatomprom JSC.

Competitive selection procedure in the Company was carried out on the basis of transparency and objectiveness principles. In 2019 a total of 484 vacancies were occupied with participation of 1,452 candidates.

**1.2.3 Professional development employees**

One of the important areas of human resource development is the development and training of employees as well as training of workers in the professions that are demanded in the Company.

The Company systematizes processes of training, retraining and advanced training of employees. To this end the Company arranges training both with the involvement of third-party specialized organizations and by assignment of internal trainers among the highly qualified specialists of the Company.

In 2019 training of the Company's employees was carried out in accordance with internal organizational and administrative documentation, employer’s acts and training contracts concluded in accordance with the applicable legislation of the Republic of Kazakhstan.

In 2019 the total amount spent on education and training of employees was equal to 61.19 mln. KZT. Total number of trainings passed by employees in 2019 was equal to 9,577 man-trainings (hereinafter – man), including as part of implementation of:

* Advanced training, professional training and re-training programs – 9,497 persons;
* Corporate training programs – 80 persons (2 persons – “School of Young Specialists-2019”; 29 persons – seminar “School of Directors”, 29 persons – seminar on lean production on the subject of “TPC. Automatization principles. Preventive maintenance”, 20 persons – training “Practical compliance management for enterprises”);

As part of implementation of E-Learning training, 216 employees were provided with an access to online training portal of Virtual training and webinars of the Private Institution “Corporate University of “Samruk-Kazyna”.

Information on the dynamics of professional development and training of the Company’s employees since 2017 is presented in the Table below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description  | Unit of measurement  | 2017 | 2018 | 2019 |
| Plan  | Actual  | Plan  | Actual  | Plan  | Actual  |
| Total amounts spent on education and training  | mln. KZT | 71.2 | 59.1 | 84.7 | 78.0 | 88.2 | 73.4\*\* |
| Total number of employees participated in the professional development and training courses | man-seminars\* | 6,953 | 8,427 | 6,900 | 9,043 | 6,840 | 9,577 |

\* Total number of trainings completed by employees during the period.

\*\* Indicated total amounts include: Clause 1.2.3 hereof – expenses for professional development of employees (61.19 mln. KZT) and Clause 1.2.4 hereof – expenses for preparation of master’s degree students and bachelors and implementation of dual educational system (12.24 mln. KZT).

**1.2.4 Implementation of corporate training programs for Employees and attracting talented graduates**

Within the framework of an Agreement on scientific and technical cooperation between NAC Kazatomprom JSC and East Kazakhstan State Technical University named after D. Serikbayev since 2017 has been preparing the master’s degree students and since 2018 the bachelors for the Company’s needs on the basis of East Kazakhstan State Technical University named after D. Serikbayev. Expenses for their training in 2019 were equal to 11.71 mln. KZT.

In 2019, the third group of the master’s degree students consisting of 2 persons (1 employee and 1 non-employee of the Company) was formed for 2019-2021 academic years and the second group for bachelors’ training (4 employees of the Company) for 2019-2023 academic years.

For the period 2017-2019, 3 persons were employed in 2019 from the number of non-employees of the Company who were trained under the grant of UMP JSC. The rest of non-employees had not completed their training as of the date of report drawing up.

Dynamics of expenses on bachelors and master’s degree students training as well as number of students, who teaching in 2017-2019 is presented in the Table:

|  |  |
| --- | --- |
| Description  | Year |
| 2017 | 2018 | 2019 |
| Expenses for bachelors and master’s degree students training, mln. KZT | 4.50 | 20.00 | 11.71 |
| Number of students, persons | 9 | 21 | 17 |

The Company carries out comprehensive work on preparation of professional staff through the implementation of a dual training system, within the framework of which:

* The group to the number of 8 persons was composed for training on the line of profession “Operator-Hydrometallurgist” in Municipal Public Institution “Ust-Kamenogorsk Multi-Discipline Technological College”.
* Cooperation agreement on the joint training of Metallurgical technicians was concluded with Eastern Technical and Humanitarian College.

Expenses for paying the scholarship as part of implementation of the dual training system in 2019 were equal to 0.53 mln. KZT.

Dynamics of expenses for paying the scholarships as part of implementation of the dual training system for these lines of professions for 2017-2019 is presented in the Table:

|  |  |
| --- | --- |
| Description | Year |
| 2017 | 2018 | 2019 |
| Expenses for paying the scholarship as part of implementation of the dual training system, mln. KZT | 2.34 | 0.87 | 0.53 |
| Number of students, persons | 11 | 9 | 9 |

Change of expenses for paying the scholarship is due to the change by an educational institution of education program for students’ preparation and, as a result, reduction in the period of internship with payment of a scholarship, as well as a decrease in the number of students.

**1.2.5 Cooperation with the public association “LPR UMP JSC” (hereinafter – the Trade Union) and ensuring of compliance with the mutual obligations of the employer and employees**

One of the important tasks of the Company is to create favorable conditions for the work of employees. The Company takes a responsible approach to social security of its employees and maintains employee confidence in the future. In order to strengthen social partnership, respect responsibility and assure guaranteed benefits and payments to the employees on February 26, 2019 the Collective Agreement was concluded for 2019-2022 (hereinafter – Collective Agreement), which is a legal act to regulate social and labor relations as well as those directly related to labor relations in the Company. The subject of the Collective Agreement is the establishment of specific mutual obligations in the field of labor between representatives of employees and the employer of the Company based on the legislation of the Republic of Kazakhstan.

Effect of Collective Agreement with regard to social benefits, guarantees and compensation payments provided at the Company’s expense shall be apply to all employees of the Company, regardless of their membership in the Trade Union.

Committee for bargaining and making up a draft Collective Agreement (hereinafter referred to as – the Committee) was established on a parity basis in order to maintain collective bargaining, make up a draft Collective Agreement and amends it. In 2019, two meetings of the Committee were held to discuss the draft Collective Agreement for 2019-2022, increasing the social protection of employees and former employees of the Company. In addition, in 2019, six meetings of the Committee were held, at which amendments to the current Collective Agreement were discussed.

Committee for monitoring the implementation of the Collective Agreement monitored the implementation of the Collective Agreement terms and conditions on a quarterly basis. Mutual obligations of the employer and employees under the Collective Agreement for 2019 in accordance with the current legislation of the Republic of Kazakhstan (the Labor Code of the RK, the Law of the RK “On Trade Unions”), Company Charter, the Rules of the Company’s labor schedule and financial plan of the Company are completely fulfilled by employees and the employer.

Information on fulfillment the Collective Agreement terms and conditions is available on the Company’s Corporate Portal, and also was distributed to employees at the quarterly meetings of the Company’s Executive Board Chairman with representatives of the Company staff.

In 2017-2019, the Company allocated funds to the Trade Union in the amount of 47.3 mln. KZT, 41.9 mln. KZT and 61.5 mln. KZT for cultural events, sports and recreational activities for the Company’s Employees. Increase of amount in 2019 is associated with the holding of events dedicated to the Company’s 70th anniversary.

# Developing of social programs for the employees

The Company pays great attention not only to social payments, aimed at creating a healthy working microclimate in teams, which allows employees to perform successfully their duties, but also to the social support of ex-employees.

Dynamics of change of the social package size in 2017-2019 is shown in the Table:

 *thousand KZT*

|  |  |  |  |
| --- | --- | --- | --- |
| Description  | 2017 | 2018 | 2019 |
| Social package size for one employee  | 69.4 | 35.6\* | 74.4 |
| Social package size for one ex-employee  | 13.7 | 12.4 | 16.4 |

\* - decrease of the social package size for one employee in 2018 is due to the lack of the Company’s expenses for voluntary medical insurance of employees in case of illness.

For the period 2017-2019 for these purposes were spent in total:

 *mln. KZT*

|  |  |  |  |
| --- | --- | --- | --- |
| Description  | 2017 | 2018 | 2019 |
| Material aid to the employees  | 67.7 | 65.7 | 57.2 |
| Social support to the Company’s ex-employees  | 13.6 | 12.4 | 34.5 |
| Voluntary insurance of the Company’s employees in case of illness | 68.2 | 0 | 77.3 |
| Medical services of the Company’s employees and ex-employees  | 98 | 91 | 90.3 |
| TOTAL: | 247.5 | 169.1 | 259.3 |

In order to provide social support to the employees for housing improvement, the Company has a Regulation “On the Procedure for Processing Applications for Long-Term Loans to UMP JSC employees”. Funds in the amount of 50 mln. KZT are annually allocated for housing improvement. 32 employees of the Company are improved their housing conditions for the period 2017-2019:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description  | Unit of measurement | 2017 | 2018 | 2019 |
| Amount of funds for housing improvement  | mln. KZT | 49.2 | 48.6 | 41.8 |
| Quantity of the Company’s employees, who improved their housing conditions  | persons | 13 | 10 | 9 |

# 1.2.7 Youth Policy of the Company

Active work with young employees is one of the most important priorities of the Company. It is aimed at ensuring staff security of the Company, training of highly qualified young professionals from among the best graduates of educational institutions and their quickest possible and the most effective adaptation in the Company.

According to the Regulations on Young Specialists and Young Workers of UMP JSC in 2019, 3 young workers admitted to the Company were assigned the status of “Young Worker” for a period of 1 year.

The Handout for newly employed worker of Ulba metallurgical plant was designed to facilitate adaptation to corporate culture, give an insight into traditions and rules of behavior in the Company, it is given to every newly employed worker.

Since 2003, the Company has Young People Association (hereinafter – YPA). The major goal of YPA is to create conditions for proper spiritual, cultural, educational, professional and physical development of young workers, participation in decision-making, successful socialization and direction of their potential for further development of the Company.

The YPA includes representatives from among the most active young workers who successfully combine production activities, work in YPA, as well as participation in social and political life of the Company and the region (Ust-Kamenogorsk and Kurchatov).

In 2019, YPA carried out its activities in accordance with “Regulations of Primary Organization of Young People Association of UMP JSC” as a part of “Nuclear Forum” Public Association, within the framework of Youth year declared in Kazakhstan in 2019 and within the framework of the Company’s 70th anniversary.

Members of YPA:

* Participated in forums and meetings of the Youth Councils of Samruk-Kazyna JSC and NAC Kazatomprom JSC;
* Participated in III youth scientific and technical conference “Youths, science, innovations”;
* Arranged cultural events, as well as took an active part in all events carried out by the Company (spartakiads, corporate events, seminars, etc.), regional administration (Ust-Kamenogorsk and Kurchatov) and “Nur Otan” party;
* Arranged volunteer clean-up and charity events in orphanages.

# Project “Implementation of Target Model for Staff Management”

As part of the Transformation Program implemented in NAC Kazatomprom JSC and the implementation of the project KAP 17 "Target Model for Staff Management" in 2019, the Company updated/issued the following documents regulating processes in the field of staff management:

* Regulations on the practice of students in educational organizations at UMP JSC;
* Regulations on review-contests of professional skills among workers of UMP JSC;
* Regulations on Young Specialist and Young Worker at UMP JSC;
* Regulations on wages and bonuses of UMP JSC employees;
* Regulations on the official salaries of UMP JSC employees;
* Regulations on the remuneration of UMP JSC employees engaged in heavy work, work with harmful and (or) dangerous working conditions;
* Regulations on the procedure for establishing and assessing the achievement of key performance indicators of UMP JSC employees;
* Regulations on the fund of the division’s head of UMP JSC;
* Regulations on the fund of the Executive Board Chairman of UMP JSC;
* Regulations on remuneration for an Idea;
* Regulations on the allowance for a scientific degree;
* Regulations on the procedure for determining and using the savings of the federal budget of UMP JSC;
* Regulations on the provision of material assistance to paid annual labor leave to UMP JSC employees.

In 2019, 302 employees of the Company’s central staff got through integral assessment of activity following the results of 2018 for the purpose of increase of the employees activity efficiency, determination of the requirements to the work results, development of skills, knowledges and competencies of employees for implementation of strategic goals in accordance with the Regulations on assessment of activity of UMP JSC employees. According to the results of carried out assessment all employees prepared individual development plans for 2019, including training and developing activities oriented to increase of employee efficiency by means of development his professional skills and competencies.

# Assurance of social peace in the Company

The Company pays special attention to the implementation of various measures to prevent conflict situations and labor disputes among employees.

The conflict resolution resources existing in the Company are supplemented by mediators and Ombudsman’s activities.

List of mediators is published on the Corporate Portal.

The Ombudsman of the Company was appointed by the Resolution of the Company’s Board of Directors (No. 47 dated 05.12.2016) in order to comply with the principles of business ethics and optimal regulation of social and labor disputes. In 2019 the Ombudsman of the Company received training on the theme “Corporate ombudsman” in Private Institution “Kazakhstan Mediation Center”.

The information stands of the Company contain information about the Ombudsman with his contact phone numbers and e-mail address.

# Anti-corruption and fraud management, settlement of corporate conflicts and conflict of interests

The main activities of the Company and general rules of anti-corruption behavior of officials and employees were regulated by UMP JSC Anti-Corruption and Fraud Management Policy. The principles and provisions of this Policy are communicated to the staff through the corporate portal of the Company, as well as by the heads of departments. Its analysis and updating were carried out on a regular basis. On 26.06.2019 and 24.10.2019 necessary corrections and amendments were inserted into the mentioned document.

“Policy of confidential reporting about potential or well-known facts of fraud, violations of internal control procedures and other standards of NAC Kazatomprom JSC” was applied in the Company for effective protection against risks and adequate response to violations.

“Plan of actions on minimizing the risks of corruption in UMP JSC”, approved by the Company’s Board of Directors, has been developed and is being implemented (Minutes No. 15 dated 16.09.2019).

Information stands, internal and external corporate websites of the Company contain information on the methods of contacting and contacts of “hotline” of the external independent organization Deloitte, which provides hotline services in three languages, in order to receive from the Company’s employees and interested parties an information about corruption, fraud, violations of corporate ethics, as well as illegal actions of the Company’s officials.

An informational and preventive meeting of the Company’s employees with the management of the Department of Agency for Civil Service Affairs and Anti-Corruption in East Kazakhstan was held on 29.03.2019.

On 28.05.2019 representatives of the Company’s labor collectives met with representatives of the Akimat of Ust-Kamenogorsk, Administration on Religious Affairs of the East Kazakhstan Region and Department of the National Security Committee of the Republic of Kazakhstan for the East Kazakhstan Region on the topic: “Countering religious extremism, corruption and terrorism”.

Three information and preventive meetings of labor collectives of the Company’s main production operations with experts in the field of combating theft and fraud of the KNB Department for East Kazakhstan and the Police Department for Ust-Kamenogorsk were held on 19.12.2019 and 20.12.2019.

Seminar for the Company’s management on information disclosure and general compliance issues, including the prevention of corruption was arranged and held in October 2019 together with representatives of the compliance department of NAC Kazatomprom JSC.

An anti-corruption monitoring of the Company as a quasi-public sector entity was performed in order to assess the law enforcement practice related to anti-corruption in accordance with the requirements of the anti-corruption Law of the RK No. 410-V dated 18.11.2015. Based on the monitoring results the conclusion about absence of corruption risks (corruption offenses) facts, high level of anti-corruption culture and efficiency of the operating Policy of the Company was made. Employees are willing to accept and positively evaluate ongoing anti-corruption activities. There were no signs of discontent and social tension.

Due to the absence of realized corruption risks, there is no reason for external or internal anti-corruption analysis.

Procurement procedures are monitored in accordance with
I.19.0009-16 Procedure for Potential Supplier Inspection to minimize the possibility of property damage, corruption risks, as well as to protect business reputation of the Company as the subject of quasi-public sector.

# Measures for occupational and environment safety

The Company is fully aware of its responsibility for ensuring trouble-free production activities, safe working conditions for employees and maintaining the health of people living in operations area.

The Company has implemented an integrated management system that meets the requirements of international standards ISO-14001 (environmental management system), ISO 9001 (quality management system), and BS OHSAS 18001 (occupational health and safety management system). In accordance with this system, the Company has organized work to comply with the requirements of the legislation of the Republic of Kazakhstan in the field of labor and environment protection, radiation and nuclear safety.

In 2019 Intercertifica TUV LLC together with tüv Thuringen carried out a witness audit in the Company, which confirmed the compliance of the Company’s management system with the requirements of standards ISO 9001, ISO 14001 and BS OHSAS 18001.

# 2.1. Assurance of occupational safety

In 2019 occupational health and safety management system was implemented in accordance with the laws of the Republic of Kazakhstan, regulatory and technical acts, decrees, orders of the Company, the requirements of international standard OHSAS 18001, instructions and recommendations of the Sole shareholder, regulating production safety requirements.

Financing of measures to improve labor conditions, labor protection and sanitary and health actions was of a priority to the Company. Comprehensive Plan for Improving Labor Conditions, Labor Protection and Sanitary and Health Actions for 2019 (hereinafter referred to as – the Comprehensive plan) was issued in the Company for these purposes and approved by the Executive Board Chairman on 24.12.2018.

136 actions were performed as per Comprehensive plan, for which were spent 143 mln. KZT, including:

* 93 measures were taken to improve working conditions, while working conditions were improved for 2,651 employees, 79.7 mln. KZT were spent;
* 34 measures were taken to reduce the likelihood of injury, while the probability of injury to 446 employees was reduced, 2.9 mln. KZT was spent;
* 5 measures to reduce the overall morbidity, while the probability of morbidity for 39 employees was reduced, 1.5 mln. KZT was spent;
* 4 measures to reduce the probability of accidents, while the probability of accidents for 165 employees was reduced, 58.9 mln. KZT were spent.

The Company created proper sanitary conditions – showers, dryers, dressing rooms, washrooms, toilets, and rooms for eating equipped with necessary household appliances.

In 2019 employees were in full measure provided with high-quality overalls and personal protective equipment.

Constant control over provision of employees with overalls, special footwear and other means of individual protection was carried out. In departments inventory of overalls condition, its rejection, control of compliance of terms of use to norms of free provision with overalls and special footwear at the expense of the employer was carried out on constant basis.

Labor protection costs amounted to 1,107.3 mln. KZT, including for personal protective equipment and safety devices - 279 mln. KZT, services for the provision of therapeutic food and milk - 261.6 mln. KZT, special laundry services and soap - detergents - 250.5 mln. KZT, other costs 316.2 mln. KZT. The measures taken to protect and ensure safe working conditions made it possible to ensure accident-free production activities, which contributed to the achievement of the necessary indicators in accordance with the Company’s Development Strategy for 2018-2028.

Work on prevention and non-admission of accidents at work was carried out in accordance with UMP JSC Management Policy in the field of management (quality, environment, health and safety) approved at the meeting of the Company’s Executive Board (Minutes No. 59/1065 dated 26.12.2017).

In 2019, an agreement was in force for compulsory insurance of an employee against accidents in the performance of his labor (official) duties with “LIC “Nomad Life” JSC dated 07.12.2018, series 41 No. 41071218004/271217/25.

In 2019, an agreement for employee’s compulsory insurance against accidents in the performance of his labor (official) duties was concluded for 2020 with “LIC “Nomad Life” JSC dated 18.11.2019, series 41 No. 41011119001/301118/3.

In order to take measures to prevent accidents at work, the Company records all accidents, as well as investigation and analysis of its causes, based on the results of investigations, preventive measures were developed, nevertheless, in 2019, the Company had one accident with a mechanic-repairman of Beryllium Operations. A special investigation of the circumstances and causes of the accident was carried out. The investigation was conducted by a commission appointed by the State Institution “State Labor Inspectorate Administration of the East Kazakhstan Region” by order No. 153 dated 17.09.2019. The Commission established the following causes of an accident related to work:

1. Gross negligence of the victim, expressed in the fact that on his own initiative, without receiving a task from his line manager, he began to find out the reason for the accumulation of water on the pump and sump service site of the Induga furnace circulating water supply unit.

2. Unsatisfactory arrangement of work on the part of line manager, expressed in the fact that he weakened control over the observance of the subordinates’ Safety & Labor Protection instructions and labor discipline.

**Accident Rate Ratio Analysis for 2019**

|  |  |  |  |
| --- | --- | --- | --- |
| Number of employees | Accident rate | Actual frequency factor\* | Target value of frequency factor |
| Group | Fatal | Serious  | **Total** |
| 3,658 | 0 | 0 | 1 | 1 | 0.27 | 0 |

\*Injury frequency coefficient Fc characterizes number of accidents per 1000 employees for a certain period of time

**Lost Time Injury Frequency Rate (LTIFR) Analysis for 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Number of accidents | Number of the days of work incapacity | Total working hours worked | ActualLTIFR | Target value LTIFR |
| Group | Fatal | Serious  | **Total** | days | hours |
| **0** | **0** | **1** | **1** | **82** | **5,608,694** | **0.18** | **0.0** |

- LTIFR – indicator denoting the total number of injuries per 1 million hours worked; the calculation shall be made according to the formula:

LTIFR=(number of accidents/number of hours)\*1 000 000 = (1/5608694)\*1000000= 0.18

Since 2019, the Company has introduced a line of work to ensure occupational safety “Application of the best international practices”. A methodology for assessing the risks of undesirable events at the workplace developed in aerospace complex has been introduced. According to this method, estimation of such risk measures as the importance of consequences of undesired events, likelihood of undesirable events, probability that the situation prior to the undesirable event is performed. The overall risk level is then assessed. For this purpose, the Company’s Risk Assessment Standard has been updated.

The new risk assessment methodology allowed to:

- Have active identification of all sources, situations or actions (or combination thereof) resulting from activities of the Company with potential for harm in the form of injury or deterioration of health as a goal;

- Take into account human factors such as the abilities, behavior and shortcomings of employees.

In order to improve level of safety culture in the Company, Action Plan to improve the level of safety culture in UMP JSC (2018-2022) approved by the Company’s Director of Production Safety on 02.07.2018 was developed:

- LoTo system was implemented (control of hazardous energy sources) in order to ensure safety of employees, equipment protection and continuity of its operation;

- Near Miss system (identification and registration of dangerous actions, dangerous conditions, incidents without consequences, conduct of behavioral safety audits) was introduced in accordance with ST NAC 5.0.4 Procedure for monitoring and control of occupational safety and ST NAC 5.1.2 General requirements for management system of labor protection and industrial safety.

An electronic PC OSM module was put into operation. All detected dangerous actions, dangerous conditions, incidents without consequences are registered in it for further analysis and measures to eliminate them. PC OSM is an integral part of internal control of the Company occupational safety. Identification and timely elimination of dangerous conditions and dangerous actions is the purpose of preventing the occurrence of undesirable events (injuries, occupational diseases, incidents).

In 2019 there was a constant monitoring of compliance by employees of contractors with requirements of occupational safety on the part of the Company’s departments, office of Director of production safety and Capital Projects Department of the Company. At detection of violations of work stopped by the order of representatives of the specified services before elimination of revealed violations. Standard 28.0021 Procedure for implementation of relationship of UMP JSC with contractors which establishes procedure for monitoring contractors with filling of the relevant register of contractors was updated.

The Company paid close attention to the issues of training workers on safety and labor protection, industrial, fire, radiation, nuclear safety on a constant basis.

In 2019, 1,474 employees of the Company were trained to obtain a certificate in specialized training centers at the advanced training courses Safety and Health Issues and Occupational Safety Issues.

Occupational safety and health, industrial, fire, radiation and nuclear safety training was conducted for 371 newly recruited employees. 450 employees passed introductory inductions, 371 employees passed primary inductions on safety and labor protection at workplace and knowledge check. There were no persons who had not been trained, tested and admitted to unsupervised work.

In order to prevent and detect violations and deviations from requirements of the existing rules, norms, instructions, standards and other normative legal acts on labor protection, technical (Trade Union) inspectors on labor protection, together with heads and specialists of structural units, carried out monthly scheduled inspections of the state of safety and labor protection at workplaces. The results of inspections were discussed during the Days of Labor Protection which were held in departments on a monthly basis.

Together with the Trade Union, an annual review competition is held on labor protection, environmental protection, industrial and fire safety in the Company. The results of this review competition are summed up once a year. The title – Winner of the review competition on labor protection, environmental protection, industrial and fire safety in 2019 was awarded to teams of Tantalum Operations, Power Engineering Center and Automotive Transport Facility. The purpose of a review competition is to attract employees of the Company to actively participate in the work to comply with rules on safety and labor protection, industrial and fire safety, reduce occupational injuries and occupational diseases, improve working conditions and production culture, reduce emissions and discharges of pollutants into the natural environments.

Internal control checks of the enterprise:

In 2019, the specialists of the industrial safety and labor protection department of the production safety director's service carried out 40 inspections in the Company's divisions. 341 violations were identified; currently 306 of them have been eliminated. The deadline for eliminating other violations has not come.

In 2019, industrial safety engineers monitored 46 emergency drills and 26 drills. During the drills, 11 violations were revealed, at present all violations have been eliminated.

In 2019, the engineers responsible for the supervision of the boiler and gas supervision facilities and lifting structures of the Company examined 133 units of hazardous technical devices.

In 2019, the Company was audited by state control and supervision bodies.

**Industrial Safety:**

From 30.05.2019 to 07.06.2019, the Department of the Committee for Industrial Development and Industrial Safety of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan in the East Kazakhstan Region conducted an unscheduled inspection of the Company for compliance with the requirements of the legislation of the Republic of Kazakhstan in the field of industrial safety, monitoring the execution of the order on elimination of identified gross violations as a result of a special inspection in the field of industrial safety. As a result of the unscheduled inspection, it was established that all the comments specified in Act No. 91-E dated 23.11.2018 were eliminated.

On 25.12.2019, the Department of the Committee for Industrial Development and Industrial Safety of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan in the East Kazakhstan Region conducted an audit of the Company for compliance with the requirements of the legislation of the Republic of Kazakhstan in the field of industrial safety, control over the execution of the order to eliminate the identified gross violations as a result of an audit on special order in the field of industrial safety. As a result of checking the comments, it was not revealed (act No. 594-E dated 25.12.2019).

**Occupational Safety and Health:**

From 07.06.2019 to 27.06.2019, the RSU “UKGU for the protection of public health of the DOE EKR KOOZ of the Ministry of Health of the Republic of Kazakhstan” carried out a special check based on assessment of the degree of risk of the Company’s Uranium Operations. On the basis of the audit, an order No. 252 “On elimination of violations of the requirements of the legislation of the Republic of Kazakhstan in the field of sanitary and epidemiological welfare of the population” was issued. For violation of the requirements of the legislation of the Republic of Kazakhstan in the field of sanitary and epidemiological well-being of the population, an individual - an employee of the Company - was imposed an administrative fine in the amount of 15 MCI (37,875 KZT).

From 17.10.2019 to 06.11.2019 RSI “Ust-Kamenogorsk GU KKiBTi U DKKiBTiU EKR KKKiBTiU MH RK” an audit was carried out for compliance by the Company with regulatory legal acts and mandatory requirements. On the basis of the check, an order was issued to eliminate violations (No. 1377-E / 437 dated 06.11.2019). One violation has been identified, which has now been eliminated. For violation of the requirements of the legislation of the Republic of Kazakhstan in the field of sanitary and epidemiological welfare of the population, an individual - employee of the Company was imposed an administrative fine in the amount of 15 MCI (37,875 KZT).

From 25.11.2019 to 29.11.2019, a special check was carried out at the Concentrating plant of the Company’s Mining and Processing Complex in Kurchatov RSU “Kurchatov city management of quality control and safety of goods and services of the DCKiBT EKR KKKiBTiU MH RK”. Based on the audit, a protocol on administrative offense No. 196322453000019 was issued. Three violations were identified with a deadline for elimination in 2020. For violation of the requirements of the legislation of the Republic of Kazakhstan in the field of sanitary and epidemiological well-being of the population, the Company was imposed an administrative fine in the amount of 115 MCI (290,375 KZT).

# 2.2 Environmental protection

Nature protection activities, preservation of favorable environment and resource conservation are also priorities for the Company.

Environmental concern ensures sustainable development of the Company. To prevent possible negative impact the Company takes all necessary actions to ensure environmental protection as well as conservation and restoration of natural resources, constantly improving products, processes and working conditions for its employees.

The Company ensures continuous implementation of priority tasks in the field of environmental protection.

The Company has been certified for compliance with international standard ISO 14000 requirements since 2003, and in 2018, it was certified according to the new ISO 14001:2015 standard.

In accordance with UMP JSC Management Policy approved by the decision of the Company Executive Board (Minutes No. 21/1156 dated 12.04.2019), activities to reduce environmental pollution were performed.

Implementation of basic principles of the above-mentioned Policy and implementation of specific environmental objectives aimed at reducing impact on the environment and improving environment management system (EMS) is ensured.

All divisions of the Company have impact on environment within the established limits of emissions, discharges of pollutants and production waste disposal.

In 2019, gross emissions of pollutants into the atmosphere by the Company's divisions at the site in Ust-Kamenogorsk amounted to 57.3% of the established limits, while gross discharges to Ulba River were equal to 57.7 % of the established limits, and the volume of hazardous waste disposed was 49.5 % of the established limits.

Environmental protection issues in the Company's Operations are considered during the Days of environmental protection on a quarterly basis.

On September 26, 2019, the Company held an environmental campaign to clean up and restore order along the 440-meter-long and 30-meter-wide coastline of the Ulba River. The event was dedicated to the 70th anniversary of the Company. 41 people from industrial complex divisions and the Company's central office were involved in the campaign. In the cleaned area of 13,000 m2, transported to the city landfill over 120 tons of debris and contaminated soil.

The Company provides financing for environmental protection measures, including the costs of improving the efficiency of dust and gas treatment plants, protection and rational use of water resources.

In accordance with the Company Action Plans for Environmental Protection for 2019, 19 activities were planned to the amount of 685 mln. KZT.

In accordance with Action Plan for Environmental Protection for 2019 at Karadzhal mine being a part of Tantalum Operations of the Company, 5 activities were planned to the amount of 17.6 mln. KZT.

In accordance with Action Plan for Environmental Protection for 2019 of the Company Tantalum Operations in Kurchatov city, 8 activities were planned to the amount of 6.9 mln. KZT.

Note: Expenses for implementation of Action Plans for Environmental Protection in 2019:

* In Ust-Kamenogorsk – 685.6 mln. KZT. At the same time, funds application according to for the event “Tailing dump. Map 1C. Stage 2. Shelter” is behind the schedule, 45.6 mln. KZT were applied compared to 85.0 mln. KZT scheduled. The delay is due to non-fulfillment of contractual obligations by the contractor “SAMRUK ASTANA 2030” LLP. The work will be completed in 2020;
* Karadzhal mine – 65.4 mln. KZT. The increase of expenses for implementing measures is caused by the increase in the cost of the project "Expert review of working design and construction and installation works for waste water treatment facilities at Karadzhal mine". All the activities were completed;
* Concentration plant – 6.4 mln. KZT. All the activities were completed.

The Company carries out systematic work to optimize waste management, which basic purpose is to minimize waste and harmful impact on the environment.

For this purpose, "Action Plan for UMP JSC Waste Management and Maintenance of Tailings Facility Activities in 2017-2020" and "Waste Management Program for 2018-2022" have been developed

The measures stated in "Action Plan for UMP JSC Waste Management and Maintenance of Tailings Facility Activities in 2017-2020" for 2019 have been fully implemented. In 2019, construction of map No. 5 (Stage 1) was completed, design work on the construction of map No. 5 (Stage 2) was completed, and 1C map was completely deactivated.

Within the framework of the implementation of "Waste Management Program for 2018-2022", industrial tests of the natural uranium refining process were carried out with a gradual increase in the mass concentration of uranium in the re-extract to 140 g/l. During testing an increase of uranium content in the extract to 7 g/l, and 15 g/l in the re-extract was achieved. The degree of extract enrichment as achieved allowed to increase the process productivity by 10% with the more concentrated re-extract to 140 g/l and final products conforming to all the required parameters. The implemented technological measures provided a 12% reduction in the amount of liquid radioactive waste generated by yellow cake processing technology. According to the results of industrial tests, Minutes No. 49-02-02/1283 dated 13.08.2019 was issued.

A research plan for 2020 has been prepared for processing neutralized master solutions from potassium fluorotantalate and niobium hydroxide precipitation. A research plan has been prepared for the use of neutralized master solutions from potassium fluorotantalate and niobium hydroxide precipitation at ammonium fluoride preparation operation in shop 58.

Use of technology which ensures an application of maximum uranium concentrations in initial solutions and re-extract during yellow cake processing is one of the key activities on reduction of LRW volumes.

In 2019, the main task was to keep the specific ratio of LRW formation as achieved in 2018 and to further decrease the specific ratio of LRW formation.

Based on the results of implemented actions to reduce the specific ratio of LRW in 2018, relative specific LWR formation ratio for 2019 was specified as 13.75 l/kg U.

Works on supporting the maximum permissible concentrations of uranium in solutions at the operations of yellow cake incoming inspection, extraction and re-extraction were performed in the 4th quarter of 2019 for the purpose of reduction the specific ratio of LRW formation.

The Company has a Section of the neutral granular gypsum producing for the purpose of resolution of an issue on reduction of solid waste placement at the Company’s “Tailings Facility” and in the plan of waste recycling.

In 2019, 41.6 tons of neutral granular gypsum were produced and shipped.

In 2019, for World Environment Day the Company performed:

* landscaping, care and maintenance of the administrative territory and sanitary protection zone of the Company, including 150 tree seedlings (50-oaks, 100 – birches), 12620 flower seedlings planted;
* in March the exhibition stand on the Company's activities in the field of environmental protection was updated;
* the Company order has been issued to encourage employees to celebrate World Environment Day;
* presentation "Contribution of UMP JSC to improving the environment of Ust-Kamenogorsk" was prepared, which was demonstrated at the Company's entrance halls, as well as during the report at the meeting of city management panel with the involvement of the media and representatives of foreign countries;
* an exhibition of children's drawings on the theme was held among the pupils of Aliya kindergarten: "The air is needed all around." The results of the exhibition of children's drawings are published in the company newspaper "UMP-inform".

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# 2.3 Ensuring nuclear and radiation safety

In accordance with the hygienic standards of the Sanitary and Epidemiological Requirements for Ensuring Radiation Safety, approved by the Minister of National Economy of the Republic of Kazakhstan (Order No. 155 dd. 02.27.2015), an annual effective radiation dose of Group A personnel should not exceed 20 mSv. In 2019, an actual value of the maximum annual dose in the Company amounted to 1.75 mSv, which is 11 times less than the limit of the annual effective dose to the personnel of group A.

All the works on provision and control of nuclear and radiation safety in the Company were carried out in accordance with the requirements of applicable legislative and regulatory documents of the Republic of Kazakhstan with regard to nuclear and radiation safety.

# 3. Economic impact measures in the regions of presence

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# Support for the social and economic development in the regions of presence

The Company is socially responsible; therefore, the development of the social sphere and the implementation of social projects is one of its priorities.

Since 2012, the Company's Employees have joined the implementation of the Comprehensive Plan to Support Orphans and Children Left Without Parental Care, and have taken 23 children from orphanages in Ust-Kamenogorsk for foster care. The Company’s Employees introduce children to the conditions of modern life, ensuring their participation in corporate, holiday, sports and other cultural events of the Company.

In 2019, within the framework of the annual republican action "The Road to School" for foster children the Company's Employees collected funds in the amount of 1,229 thous. KZT for the purchase of clothes, shoes, backpacks, stationery, etc.

More than ten years the Company’s Employees represented by the Young People Association help the City's Specialized Children's Home of Ust-Kamenogorsk. Every year through the "Give a Smile" campaign funds are collected for the needs of the Children's Home. In 2019, funds were collected in the amount of 319.6 thous. KZT, for construction of fencing for outdoor playgrounds.

As part of the improvement of the region, the Company regularly conducts work to maintain Potanin's memorial, Slavsky monument (attractions of the city of Ust-Kamenogorsk) in proper condition, which includes cleaning the territory, maintaining lawns and green spaces and current repairs. In 2019, the cost of maintaining the monuments amounted to about 1.9 mln. KZT.

In 2019, new long-term agreements were not concluded with small and medium-sized enterprises, as part of the implementation of measures to support small and medium-sized businesses in the regions.

# 3.2 Procedures for procurement management in the framework of Sustainable Development

Measures to switch to a new procurement model are being implemented (in 2019, employees from Procurement Director Office were trained at SAP ERP system, work to fill in reference books with information is underway.)

The Company ensures openness and transparency of procurement by publishing procurement plans on the website <http://zakup.sk.kz>, including long-term procurement plans, regulatory acts, as well as information on tendering, procurement using one source, procurement by way of request for quotations and their results.

The Company makes the purchases from certified, pre-qualified and socially responsible suppliers. Inventory control procedure was introduced in the Company for the purpose of inventory cost saving.

In order to increase the Company’s total assets turnover level by minimizing the level of unclaimed reserves and reserves with low turnover, reducing the cost for reserves in the Company, Regulation for managing unclaimed reserves and reserves with low turnover of the Company has been developed.

Volume of purchases of the goods, works and services in 2019 amounted to 26,686 mln. KZT, including:

|  |  |
| --- | --- |
| Goods: | 21,639 mln. KZT |
| Works:  | 2,580 mln. KZT |
| Services:  | 2,467 mln. KZT |

Local content share amounted to 49%, with the scheduled one as 45%.

**Conclusion**

In 2019, the Company carried out previously started targeted work on the implementation of activities of “Sustainable Development Program of UMP JSC with regard to corporate social responsibility for 2017-2019”.

Activities with regard to social development, labor protection, environmental safety, as well as participation in social and economic development in the regions of presence were carried out and were effective and contributed to the implementation of the tasks planned for 2019 by the Company's Development Strategy for 2018-2028.

Executive Board Chairman

R. Medeo

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